

The Peculiar Case Of a U.S. Embassy Attacking A Free-Market Educator in An Underdeveloped Country

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Foundation Francisco Marroquin was established in 1981 by three California professors of economics. They were dismayed by their discovery of what passed for education in economics in Latin American universities and their knowledge of the mischief it was causing. In incorporating FFM, their stated purpose was to encourage and support scholarship and education in market economics in that region. FFM soon became concerned also with the rule of law and the protection of property rights, recognizing them to be essential pillars of the market system. A score of Latin American schools, centers and institutes that emphasize teaching and disseminating the principles of the free society have received financial assistance from the foundation over the years, including Guatemala's private Universidad Francisco Marroquin.

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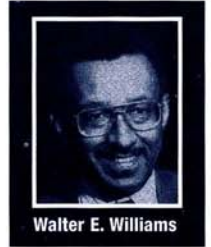
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My first acquaintance with Guatemala's Francisco Marroquin University came during a lecture series I delivered in 1979. I was absolutely amazed by the spirit and robustness of this island of economic sanity in a sea of socialism. Dr. Manuel Ayau, its President, had somehow managed to assemble a group of scholars to teach Guatemala's young people the principles of liberty. Liberty in the economic arena means limited government and free markets. The unquestionable evidence is that a free market system, that promotes peaceable, voluntary exchange, is not only a superior engine for economic growth, it is also the morally superior way to organize human intercourse.

Liberty and peaceable, voluntary exchange have always been anathema to tyrants. The reason is very simple. Tyrants do not trust that people acting voluntarily will do what tyrants want them to do. People who falsely see themselves as defenders of human rights are often the loudest denouncers of free markets and voluntary exchange. Most often these people are chief supporters of diminished private property rights, limited rights to profits, and they are anti-competition and pro-monopoly. They are pro-control and coercion by the state. They believe they possess greater intelligence and superior wisdom than the masses—as they view the rest of us—and they are thus ordained to forcibly impose that “superior” wisdom upon us. Of course they have what they believe to be good reasons for restricting the liberties of others.

While the United States is the leader of the free world, we have our share of those who are hostile to the principles of human liberty as witnessed by recent threats directed to the Guatemalan Congress and ensuing attacks on Francisco Marroquin University and its founder, Dr. Ayau, by the U.S. Ambassador, documented in the material that follows. That attack is a result of Dr. Ayau's strenuous objection to a vision that says poor countries will be helped by income redistribution, restrictive labor laws and other government regulations.

What is so amazing is that American proponents of this vision suffer from historical amnesia. The United States became the richest nation on the face of the earth precisely because of its relatively free markets, limited government and the rule of law. That is the prescription for not only economic growth but for liberty and human dignity as well. I hope and pray that Guatemalans follow that vision instead of the failed vision and siren song of socialism.



Walter E. Williams

Professor of economics at George Mason University Fairfax, Virginia; chairman of the Board of Trustees of the Foundation Francisco Marroquin

Manuel Ayau had somehow managed to assemble a group of scholars to teach Guatemala's young people the principles of liberty.

Walter E. Williams

Labor's Anti-Trade Drive

GUATEMALA CITY—On March 26, in order to be in compliance with International Labor Organization guidelines, the Guatemalan Congress passed a set of eight labor reforms. Unsatisfied with the extent of the legislation, U.S. Ambassador Prudence Bushnell paid an uninvited visit on May 3. She threatened that if it failed to pass 28 additional regulations proposed by the Ministry of Labor, the U.S. would kick Guatemala out of the Caribbean Basin Initiative (CBI) and the General System of

Preferences (GSP), two preferential-trade programs on which many farmers, laborers and businesses in Guatemala rely. Ms. Bushnell's threat, which she claims is backed by the U.S. State Department, achieved its desired results. On Monday, Congress passed all but three of the remaining laws that she demanded.

Exclusion from CBI and GSP would harm many Guatemalans, but so will compliance with Ms. Bushnell's demands, which place extraordinary power in the hands of a few, weaken the rights of workers, and discourage investment. In a country where concentrated power has produced so much corruption, inequality before the law, and capital flight, this arm-twisting by the U.S. will have very damaging consequences. A U.S. Trade Representative official told a representative of U.S. business interests here, "We needed to throw a bone to labor." Apparently the future of Guatemala was the easiest "bone" to throw.

One example of the foolhardy nature of these regulations is found in the minimum-wage provision: Minimum-wage rates are to be fixed unilaterally by the minister of labor, instead of by a tripartite commis-

sion as recommended by the ILO. This will concentrate extraordinary discretionary power in the hands of a single individual. Also, fines for non-compliance with labor laws are to be decided by Ministry of Labor inspectors—appointed by the minister—rather than adjudicated by the courts, as called for by the Guatemalan constitution. Moreover, the proposed fines are confiscatory in nature. For every week of non-compliance an employer must pay each worker 10 to 50 times the monthly minimum wage. With fines levied exclusively by the Ministry of Labor, this becomes an easy mechanism with which to arbitrarily punish or confer privilege.

Another of the new laws exempts union leaders from criminal responsibility for any damages resulting from a strike called with the approval of the union's general assembly or executive committee, which is tantamount to giving them the right to incite to criminal actions with impunity.

Three of the proposals in the original package of reforms endorsed by Ms. Bushnell have yet to be addressed by Congress. These would subject non-union workers to the tyranny of unions and the minister of labor. The decision to call a strike or to negotiate under collective bargaining would lie exclusively with unionized workers, who would need only a simple majority vote. Under this scenario, even if unionized workers constitute a tiny minority of total employees and the majority of employees oppose a strike or "collectively bargained" agreement, the vote of non-unionized workers will not count. Under another proposed reform, a worker could not be fired for one year from the date of joining a union, which would give him a privileged and powerful position compared to non-union workers. Ms. Bushnell also fought for a law that would have exempted union leaders from having to account to their members on how they spend union

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By Armando de la Torre

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Claims a Victim, Guatemala

dues. The voluntary labor association Solidarity has three times as many members as do unions, but the changes advocated by Ms. Bushnell would silence the voices of these workers, which would only be regained if they join a union.

The Bushnell-backed laws also propose to make a union decision in one company extensive to all "related" companies. Again, discretionary power will lie exclusively with the minister of labor, who will decide which enterprises are "related." Through the decision of this one individual, a strike in one company (or a "collective bargaining" agreement with that company's union) would apply to other compa-

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nies. Such a policy has the potential to grant a minority of employees in a single company the right to decide to strike or negotiate on behalf of potentially hundreds, or thousands, of workers who not only have no say in the issue, but who also may disagree.

The new rules pushed by the ambassador are designed to invest the minister of labor with dictatorial powers. Not surprisingly, Guatemala's minister of labor is working closely with Ambassador Bushnell in this project. Such regulations are tailor-made to expand corruption, as well as open new opportunities for political and personal vendettas through fiscal terrorism. Interestingly, Guatemala is the only country operating under CBI or GSP being pressured to adopt such draconian laws,

although the labor laws of most member countries are similar to the ones Guatemala is being forced to abandon.

In Guatemala, 20 employees or more can freely form a union. The level of freedom of speech and association enjoyed today in Guatemala makes the country entirely different from 16 years ago, when the current constitution was enacted. Guatemala's union movement remains weak because of the perception by workers that unions imply more costs than benefits, as well as the strong support among workers for the Solidarity labor association, with its open entry and exit.

If signed by President Alfonso Portillo, the Bushnell-backed laws will further undermine Guatemala's fragile economy, delivering a deathblow to already meager investment, both local and foreign. Emigration will provide a safety valve—especially emigration to the U.S., where laws such as those proposed by Ms. Bushnell would find no support. This is because they not only strangle labor mobility and, thus, economic growth, but they also violate basic principles of fair play and democracy.

Alternative reforms have been proposed in Guatemala that would actually enhance the position of all laborers by encouraging labor mobility and freedom of association. One is a recommendation to allow laborers to seek the best negotiating arrangements or instruments to improve working conditions, rather than giving monopoly bargaining and strike rights to unions.

Under the Guatemalan constitution, the consequences of deferring to Ms. Bushnell's threat will be forever. The constitution stipulates that once entitlement is conferred on labor, Congress can never subsequently overturn it, no matter how damaging the result.

Mr. de la Torre is the dean of the Graduate School of Social Sciences at Universidad Francisco Marroquin in Guatemala City.

A Guatemalan Free-Market Reformer

Guatemala's Francisco Marroquin University proudly embraces the traditional American values of competition, strong property rights, equality before the law, and limited government. Guatemalan Manuel Ayau opened the school in 1972, in response to the dominance of socialist thought at the government's universities. Young independent thinkers, who held the promise of reversing a long history of government oppression and concomitant misery, needed a place to study.

In a region where academics are more likely to be chanting "Viva Che" and "Yankee go home" than "up with free trade,"

"no comment." She also said, "it is not our policy to comment on diplomatic dispatches, whether they originate from the U.S. Embassy or another diplomatic mission."

Of course the embassy itself seems to have put the document in the public domain. Its motive can only be guessed at, but it's doubtful that Ms. Bushnell was happy with an article that appeared in this space on May 18, written by Marroquin professor Armando de la Torre. It recounted how Ms. Bushnell had gone to the Guatemalan legislature to demand that it pass a set of labor laws prescribed by the U.S. A U.S. Trade Representative official admitted that the laws were foisted on Guatemala because the U.S. "needed to throw a bone to labor." In other words, the U.S. was trying to push up the cost of labor in Guatemala to meet a key AFL-CIO demand that trade negotiations with developing countries include provisions to narrow the gap between their labor costs and those of unionized U.S. factories.

Prof. De la Torre knows that when you raise the price of labor you get less demand for it. So his article was about an American intervention in Guatemala that will mean fewer jobs for the poor. Yet the embassy dispatch alleges a very different set of motives at Marroquin. It reflects a strong bias against individual and economic freedom and remarkable hostility toward Mr. Ayau, whom it attacks personally for "callousness" and an "undemocratic nature."

Mr. Ayau's main transgression in the eyes of the U.S. Embassy appears to be his agreement with numerous development economists who reject income redistribution and government regulation as means of ending poverty. The U.S. avoided just such anti-growth policies during its own development, but some of its minions want

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By Mary Anastasia O'Grady

one might expect the U.S. to encourage the university's espousal of classical liberal values. But last week, university officials learned that the U.S. Embassy in Guatemala was quietly circulating to ambassadors of other countries a document labeling Mr. Ayau and Marroquin enemies of democracy. The attack came to light because more than one diplomat thought university officials might want to know what the U.S. government was saying about them behind their backs.

What the American screech's summary said was that "Guatemala's struggle to establish credible democratic institutions under the rule of law is made considerably more difficult by this Marroquin generated antipathy toward government." The author of this opinion was not identified, but one diplomat claims it was handed to him by U.S. Ambassador Prudence Bushnell. When questioned about this, a spokesperson for the U.S. Embassy responded

Is Under Fire From the U.S.

to impose them on struggling Guatemala. This is making the embassy extremely unpopular. A massive national strike on Wednesday included an angry 5,000-strong march on the U.S. Embassy to protest U.S. insistence on tax increases. One banner read "Bushnell Go Home."

The embassy document uses a quote from Harvard scholar Lawrence Harrison calling Mr. Ayau "an archtypical, far-right, Latin oligarch." Later it condemns his libertarian views. The logical conclusion to this rambling nonsense is that Mr. Ayau is an "archtypical, far-right, *libertarian* Latin oligarch," a hilarious combination of political philosophies that could not coexist unless we are also supposed to believe that Mr. Ayau has multiple personalities. For the record, Mr. Harrison says that the "quote comes from a private communication and certainly was not intended to be made public."

Just what a U.S. Embassy thinks its role is when it engages in an ideological—and secretive—assault on a private university and a private citizen is a good question. It can hardly be representing the interests of the American people. Moreover, the university defends the same principles that the Bush administration espouses. Surely it doesn't deserve to be torpedoed by what should be an ally.

The university has demonstrated a commitment to fighting government-granted privilege and racism and has made special efforts to include the indigenous population in its programs. This has earned it

and Mr. Ayau the ire of both the conservative right and the socialist left. A few years back leftist labor activists carried a coffin marked for Mr. Ayau through the streets of Guatemala City because he was in favor of privatization and deregulation in the economy.

On the right, protected domestic producers resent Mr. Ayau's decades-old battle for free trade. This has made him unpopular among much of the business elite, yet he is unyielding. Two years ago I attended Marroquin's graduate business school commencement ceremonies, where the American semiconductor maker T.J. Rodgers spoke about his famous rebellion against his own industry's attempts to win U.S. government protection from foreign chipmakers. He implored his audience to also reject protectionism. It was classic Marroquin teaching, which argues that the foundation of a just society is a rule of law prohibiting arbitrary government intervention.

Despite the comic relief that comes from the flawed reasoning in the U.S. Embassy's attack on Mr. Ayau, and Ms. Bushnell's eagerness to distribute it, the humor withers away pretty quickly. Here is a sneaky attempt to paint the country's most important free-market voice as a "brown shirt" and feudal lord who tramples on the poor.

Mr. Ayau's belief in a flat tax, his condemnation of the government's education system, and his insistence that onerous labor legislation only pushes poor Guatemalans out of the work force and further into poverty are defensible political views. If the embassy wishes to debate them, it should do so in an open and fair environment, such as befits a civilized country, rather than try to sabotage its opponent with a stealth attack.

Ms. O'Grady edits the Americas column.



**Prudence
Bushnell**

Editor's Note

In mid-July 2001, a foreign ambassador stationed in Guatemala City asked a member of the Board of Trustees of Universidad Francisco Marroquin if he had seen the U.S. Embassy's report concerning the University. The ambassador told the trustee that he had been given a copy by the U.S. ambassador, Prudence Bushnell, and offered to share it. A week later, the trustee received the document that is reproduced on the following pages.

Later still, a UFM academic director was asked by the ambassador of a second foreign country if he had seen the U.S. Embassy's report. This ambassador said that several members of the diplomatic community in Guatemala City, including himself, had been handed copies by the U.S. ambassador. The document now seems to be under lock and key (see the letter from Robert Foster Corrigan, a former officer of the Embassy in Guatemala, later U.S. Ambassador to Rwanda, page 18.)

The Embassy Document

SUBJECT: IDEAS HAVE CONSEQUENCES: THE INTELLECTUAL ORIGINS OF ANTI-STATISM AMONG GUATEMALA'S ELITE

1. SUMMARY. GUATEMALA SHARES WITH MOST OF LATIN AMERICA A GENERALIZED MISTRUST OF GOVERNMENT INSTITUTIONS BRED BY A LONG HISTORY OF CORRUPTION AND MISUSE OF PUBLIC FUNDS. BUT ANTI-GOVERNMENT SENTIMENT IN GUATEMALA IS STRENGTHENED BY A PECULIAR FORM OF FREE MARKET IDEOLOGY PROMOTED BY THE PRIVATE FRANCISCO MARROQUIN UNIVERSITY. BECAUSE MARROQUIN TRAINS A LARGE PERCENTAGE OF GUATEMALA'S BUSINESS ELITE, AND BECAUSE MANY OF GUATEMALA'S MOST OUTSPOKEN SOCIAL CRITICS ARE ASSOCIATED WITH MARROQUIN, THE UNIVERSITY'S IDEOLOGY STRONGLY COLORS DISCUSSIONS ABOUT THE ROLE OF THE STATE. GUATEMALA'S STRUGGLE TO ESTABLISH CREDIBLE DEMOCRATIC INSTITUTIONS UNDER THE RULE OF LAW IS MADE CONSIDERABLY MORE DIFFICULT BY THIS MARROQUIN-GENERATED ANTI-PATHY TOWARD GOVERNMENT. END SUMMARY.

2. A ROOT CAUSE OF WEAK, INEFFECTIVE GOVERNMENT IN GUATEMALA, AS ELSEWHERE IN LATIN AMERICA, IS THE VICIOUS CYCLE THAT BEGINS WITH AN UNWILLINGNESS TO PAY TAXES TO WHAT IS VIEWED AS A CORRUPT GOVERNMENT. "WHY GIVE MY MONEY TO SOME POLITICIAN WHO'S GOING TO STEAL IT OR WASTE IT" IS A COMMON REFRAIN. THE CIRCLE IS COMPLETED WHEN THE FAILURE TO PAY TAXES DEPRIVES THE GOVERNMENT OF THE RESOURCES IT NEEDS TO PROVIDE SERVICES THAT COULD CREATE INSTITUTIONAL CONFIDENCE AND SUPPORT. AS A RESULT, THE PUBLIC HAS LITTLE INCENTIVE TO PAY TAXES, AND THE GOVERNMENT HAS LITTLE INCENTIVE TO PROVIDE ADEQUATE SERVICES AND THUS TO CONVINCE THE PUBLIC OF THE VALUE OF PAYING TAXES.

3. IN GUATEMALA, HOWEVER, THE PROBLEM IS COMPLICATED BY THE EXISTENCE OF AN ANTI-STATIST IDEOLOGY UNRELATED TO THE HISTORICAL SITUATION OF GOVERNMENT IN LATIN AMERICA. THIS IDEOLOGY CAN BE TRACED BACK TO THE FOUNDER OF

FRANCISCO MARROQUIN UNIVERSITY, MANUEL AYAU. A PRODUCT OF A LEADING GUATEMALAN FAMILY, AYAU WAS BORN IN 1925 AND SPENT MOST OF HIS FIRST 25 YEARS IN THE U.S. HE RECEIVED AN ENGINEERING DEGREE FROM LOUISIANA STATE UNIVERSITY IN 1950 AND RETURNED TO GUATEMALA TO DEVELOP A SUCCESSFUL INDUSTRIAL GAS COMPANY. HE BECAME A LEADER IN THE BUSINESS COMMUNITY, SERVING AS PRESIDENT OF A NUMBER OF BUSINESS ORGANIZATIONS SUCH AS THE CHAMBER OF INDUSTRY AND THE COORDINATING COMMITTEE OF AGRICULTURAL, COMMERCIAL, INDUSTRIAL AND FINANCIAL ASSOCIATIONS (CACIF). HE HAS ALSO HAD AN ACTIVE POLITICAL CAREER. HE SERVED AS A CONGRESSIONAL DEPUTY IN THE EARLY 1970S, AND RAN UNSUCCESSFULLY FOR PRESIDENT IN 1990.

4. DURING THE 1950S, AYAU WAS INTRODUCED TO THE ECONOMIC PHILOSOPHY OF THE AUSTRIAN SCHOOL ECONOMISTS LUDWIG VON MISES AND FRIEDRICH VON HAYEK. HE ALSO APPARENTLY STUDIED WITH THEIR AMERICAN DISCIPLE MILTON FRIEDMAN. AYAU QUICKLY FOUND AN INTELLECTUAL HOME AMONG CONSERVATIVE ECONOMIC THINKERS ASSOCIATED WITH THE INFLUENTIAL MONT PELERIN SOCIETY, FOUNDED BY HAYEK IN 1947. (AYAU EVENTUALLY SERVED AS PRESIDENT OF THE SOCIETY FROM 1978-1980, A POSITION ALSO HELD BY U.S. NOBEL LAUREATES. MILTON FRIEDMAN, JAMES BUCHANAN, GEORGE STIGLER, AND GARY BECKER.) DURING THE 1960S AND 70S, HE BECAME GUATEMALA'S STANDARD BEARER OF CONSERVATIVE ECONOMIC THOUGHT. HE ENJOYED A PUBLIC POSITION IN GUATEMALA COMPARABLE TO THAT OF MILTON FRIEDMAN AND WILLIAM BUCKLEY IN THE U.S. HE HAS BEEN A REVERED FIGURE AMONG THE GUATEMALAN ELITE FOR MORE THAN 40 YEARS. HE ALSO GAINED RECOGNITION IN THE U.S. THROUGH REGULAR OP-ED COLUMNS IN THE WALL STREET JOURNAL AND UNIVERSITY LECTURES.

5. AYAU ESTABLISHED TWO INSTITUTIONS THAT REMAIN ACTIVE TODAY AND EXERT A SUBSTANTIAL INFLUENCE ON ATTITUDES TOWARD GOVERNMENT. IN 1958, HE AND SIX LIKE-MINDED BUSINESSMEN FOUNDED THE CENTER FOR SOCIO-ECONOMIC STUDIES (CEES), A THINK TANK SUPPORTING CONSERVATIVE ECONOMIC VIEWS THROUGH CONFERENCES AND PUBLICATIONS. ITS MORE THAN 800 ESSAYS PUBLISHED TO DATE INCLUDE MANY PIECES BY VON MISES AND HAYEK, AS WELL AS BY AYAU HIMSELF. CEES REMAINS TODAY AN IMPORTANT VEHICLE FOR EXPRESSION OF CONSERVATIVE ECONOMIC VIEWS BY THE BUSINESS ELITE.

6. WITH MANY OF THE SAME MEN ASSOCIATED WITH CEES, AYAU FOUNDED FRANCISCO MARROQUIN UNIVERSITY IN 1971, AND SERVED AS ITS PRESIDENT UNTIL 1988. HE HAS WRITTEN THAT HE FOUNDED MARROQUIN ON FREE MARKET PRINCIPLES TO CHALLENGE THE ORTHODOXY OF SOCIALISM WHICH THEN PREVAILED AMONG GUATEMALAN INTELLECTUALS AND AT THE PUBLIC SAN CARLOS UNIVERSITY, WHOSE MONOPOLY OVER HIGHER EDUCATION HAD BEEN ONLY RECENTLY ENDED.

7. THE IDEOLOGICAL FOCUS OF MARROQUIN HAS NOT WAVERED SINCE ITS FOUNDING. IT IS TODAY A MODERN UNIVERSITY OF SOME 6,000 STUDENTS STUDYING IN DEPARTMENTS OF BUSINESS, LAW, MEDICINE, AND ARCHITECTURE, AMONG OTHERS. BUT ITS MISSION IS CLEARLY STATED: "TO TEACH AND DISSEMINATE THE ETHICAL, LEGAL, AND ECONOMIC PRINCIPLES OF A SOCIETY OF FREE AND RESPONSIBLE PERSONS." THE MISSION STATEMENT IS PUT INTO PRACTICE THROUGH A SERIES OF FOUR COURSES EVERY MARROQUIN STUDENT, REGARDLESS OF DISCIPLINE, MUST PASS TO QUALIFY FOR A DEGREE: TWO COURSES IN MARKET ECONOMICS AND ONE EACH ON THE PHILOSOPHIES OF HAYEK AND VON MISES. IN A STATEMENT ON ACADEMIC FREEDOM, THE UNIVERSITY FURTHER CLARIFIES ITS IDEOLOGICAL COMMITMENT, ASSERTING THAT IT "RECOGNIZES THE (RIGHT) OF ANY FACULTY MEMBER TO TEACH THAT WHICH IS CONTRARY TO THE UNIVERSITY'S PHILOSOPHY OR ITS POLICIES, AS LONG AS THIS IS DONE ELSEWHERE AND UNDER SOMEONE ELSE'S AUSPICES. CONSEQUENTLY, ONLY THOSE PROFESSORS WHO CHOOSE TO TEACH WHAT THE UNIVERSITY REQUIRES OF THEM BECOME AND REMAIN MEMBERS OF ITS FACULTY." FACULTY MEMBERS NOT ONLY MUST OPERATE WITHIN THESE BOUNDARIES, THEY, TOO, MUST TAKE A COURSE ON HAYEK AND VON MISES. THIS RULE WAS RECENTLY APPLIED TO TWO PROFESSORS OF PHILOSOPHY, ONE WITH A PH.D. FROM THE UNITED STATES AND THE OTHER WITH A DOCTORATE FROM SPAIN, WHOSE COURSES ARE ENTIRELY UNRELATED TO FREE-MARKET THEORIES.

8. THIS IS NOT THE PLACE FOR AN IN-DEPTH ANALYSIS OF THE VIEWS OF HAYEK AND VON MISES NOR AN EVALUATION OF THEIR MERITS. BUT IN THE SIMPLEST TERMS, THEY BELIEVED THAT CENTRALIZED GOVERNMENT ECONOMIC PLANNING INHIBITS GROWTH AND RESTRICTS INDIVIDUAL FREEDOM. ECONOMIC ANALYSIS EVENTUALLY BECAME A POLITICAL AND SOCIAL PHILOSOPHY WHICH IDENTIFIED THE STATE AS THE ENEMY OF FREEDOM. INFLUENCED BY THE EXPERIENCE OF COMMUNISM AND FASCISM, HAYEK WROTE IN HIS FAMOUS 1944 WORK "THE ROAD TO SERFDOM," "DEMOCRATIC SOCIALISM, THE GREAT UTOPIA OF THE LAST FEW GENERATIONS, IS NOT ONLY UNACHIEVABLE BUT THAT TO STRIVE FOR IT PRODUCES SOMETHING UTTERLY DIFFERENT -- THE VERY DESTRUCTION OF FREEDOM ITSELF." THE AUSTRIAN SCHOOL SEES THE INDIVIDUAL AS THE ONLY MEANINGFUL UNIT OF FREEDOM AND IS SKEPTICAL OF CONCEPTS OF A COMMON GOOD OR GENERAL WELFARE. ONE ACADEMIC HAS RECENTLY CHARACTERIZED THESE VIEWS AS "THE INSISTENCE THAT ONE OF THE MANY THINGS WRONG WITH A CENTRALLY PLANNED ECONOMY IS THAT THERE IS NOT AND CANNOT BE, AN ENTITY CALLED 'SOCIETY,' WHOSE WELFARE WE SHOULD ATTEND TO."

9. WHATEVER THE TRUTH OF THESE ARGUMENTS, THEY HAVE HAD A PERNICIOUS EFFECT IN GUATEMALA. TO BEGIN, GUATEMALA WAS, AND IS, AN UNLIKELY COUNTRY IN WHICH TO APPLY AUSTRIAN SCHOOL ECONOMIC PHILOSOPHY. WHEN AYAU WAS FIRST DRAWN TO HAYEK AND VON MISES IN THE 1950S, GUATEMALA WAS A LARGELY RURAL SOCIETY WITH LITTLE HISTORY OF CENTRALIZED GOVERNMENT CONTROL OF THE ECONOMY. IN FACT, IT WAS THE LEADING WEALTHY FAMILIES, NOT THE GOVERNMENT, WHO HAD TO THE POWER TO MAKE KEY NATIONAL ECONOMIC DECISIONS. IN ADDITION,

UNLIKE HAYEK AND VON MISES, WHO WERE CONCERNED THAT THE DEVELOPED AND RELATIVELY WEALTHY COUNTRIES OF THE WEST COULD FALL INTO THE TRAP OF SOCIALISM, AYAU AND HIS FOLLOWERS LIVED IN A COUNTRY OF DEEP-SEATED POVERTY AND A FIVE HUNDRED YEAR HISTORY OF EXCLUSION AND OPPRESSION OF THE MAJORITY INDIGENOUS POPULATION. FINALLY, AND AGAIN UNLIKE THE DEVELOPED WEST, GUATEMALA HAS LONG SUFFERED FROM AN EXTREMELY WEAK CIVIL SOCIETY AND LACK OF SOCIAL TRUST. A PHILOSOPHY STRESSING INDIVIDUAL FREEDOM ABOVE ALL, ONLY REINFORCES AN ATOMIZING TENDENCY WHICH HAS PREVENTED POSITIVE SOCIAL ACTION.

10. NEITHER AYAU NOR ANY OF HIS FOLLOWERS, MOREOVER, WAS A TRAINED ECONOMIST. MOST WERE BUSINESSMEN AND LAWYERS LESS CONCERNED WITH AN EXAMINATION OF THE PARTICULAR SOCIAL AND ECONOMIC FACTS IN GUATEMALA THAN WITH APPLYING A RECEIVED THEORY THAT HAPPENED TO SERVE THEIR OWN ECONOMIC INTERESTS. FEW HAD ANY FIRST-HAND KNOWLEDGE OR EXPERIENCE OF THEIR OWN COUNTRY BEYOND THEIR PRIVILEGED CIRCLE. NONE, FOR EXAMPLE, SPOKE ANY OF THE MAYAN TONGUES WHICH WERE THE NATIVE LANGUAGES OF HALF OF ALL GUATEMALANS. AYAU HAS STATED THAT STRICT APPLICATION OF AUSTRIAN SCHOOL IDEAS IS THE ONLY WAY FOR GUATEMALA TO ESCAPE FROM POVERTY, BUT THE PRACTICAL EFFECT OF HIS OPPOSITION TO ANY GOVERNMENT ROLE IN PROMOTING PROGRESS HAS BEEN THE MAINTENANCE OF A STATUS QUO WHICH PRESERVES THE ELITE'S POSITION.

11. THE ESSENTIALLY UNDEMOCRATIC NATURE OF AYAU'S THINKING HAS EXACERBATED THE NEGATIVE IMPACT OF FREE-MARKET IDEOLOGY IN GUATEMALA. HE MADE CLEAR FORTY YEARS AGO THAT "I DO NOT CONSIDER DEMOCRACY AN ULTIMATE GOAL; IT IS NOT, LIKE FREEDOM, A FINALITY." HE WENT EVEN FURTHER IN 1975, WRITING THAT MARKET CAPITALISM IS BASED ON THE ABSENCE OF STATE INTERVENTION IN THE ECONOMY AND THAT IT "PRESUPPOSES A HIERARCHY OR CONTRACTUAL LEGAL ORDER BASED ON EQUAL RIGHTS (NOT OPPORTUNITIES) FOR ALL." THE EXPLICIT REJECTION OF EQUALITY OF OPPORTUNITY IN ONE OF THE HISTORICALLY MOST UNEQUAL SOCIETIES IN THE WORLD IS, OF COURSE, A RECIPE FOR CONTINUED INEQUALITY, BUT IT LIES AT THE HEART OF ELITE THINKING IN GUATEMALA.

12. DISMISSAL OF POLITICAL DEMOCRACY LED DIRECTLY TO A PATRONIZING ATTITUDE AND CALLOUSNESS TOWARD THE LARGE MAJORITY OF GUATEMALANS. A 1984 AYAU SPEECH IN THE U.S. IS ILLUSTRATIVE. "EXCEPT THOSE WHO ARE LOOKING FOR A POLITICAL JOB," HE SAID, "THE VAST MAJORITY OF OUR PEOPLE DON'T WANT TO GIVE MUCH TIME TO POLITICAL AFFAIRS." WITH EQUAL EASE, HE DISMISSED THE IMPORTANCE OF PUBLIC EDUCATION, ARGUING THAT "UNFORTUNATELY, THE NOTION PREVAILS THAT GOVERNMENT EDUCATION IS THE BEST WAY TO EDUCATE PEOPLE." HE CHARACTERIZES THE EDUCATION BUDGET IN GUATEMALA AND ELSEWHERE IN LATIN AMERICA AS "QUITE LARGE," WHEREAS GUATEMALA'S INVESTMENT IN PUBLIC EDUCATION HAS NEVER EXCEEDED TWO PERCENT OF GDP OVER THE PAST 30 YEARS. HE CRITICIZES THE SELF-INTERESTEDNESS OF THE PUBLIC

EDUCATION BUREAUCRACY, BUT MAKES NO SUGGESTIONS FOR DEALING WITH GUATEMALA'S MASSIVE ILLITERACY. HIS DISDAIN FOR A GOVERNMENT ROLE IN RESPONSIBILITY FOR SOCIAL WELFARE WAS EXPRESSED IN A 1979 ESSAY ON "HUMAN RIGHTS AND THE SOCIALISTS: "THE SOCIALIST OR THE SOCIAL DEMOCRAT AND ALL THOSE WHO ADVOCATE THAT 'SOCIETY' RESOLVE PROBLEMS INVARIABLY PROPOSE THE ELIMINATION OF THE HUMAN RIGHTS OF 'SOME MEN' SO THAT OTHERS MAY HAVE LESS EXPENSIVE EDUCATION, TRANSPORTATION AND HOUSING."

13. STRIPPING AWAY THE VENEER OF LEGITIMACY CONFERRED BY ASSOCIATION WITH EMINENT ECONOMISTS, THE AMERICAN SCHOLAR OF CULTURE AND DEVELOPMENT LAWRENCE HARRISON CONCLUDES THAT AYAU'S IDEAS ARE THOSE OF AN "ARCHTYPICAL FAR-RIGHT LATIN OLIGARCH."

14. WHAT IS EVEN MORE DISTURBING IS THE AYAU SCHOOL'S FAILURE TO ADJUST TO THE END OF GUATEMALA'S 36-YEAR CIVIL CONFLICT AND THE CHANGED POST-COLD WAR ENVIRONMENT. THE DEATH OF COMMUNISM AND THE VANISHED THREAT OF A COLLECTIVIZED FUTURE -- THERE ARE PROBABLY FEWER MARXISTS AT SAN CARLOS UNIVERSITY TODAY THAN AT MANY AMERICAN UNIVERSITIES -- HAVE MADE NO MARK. NOR ARE ANY CONCESSIONS MADE TO THE OBVIOUS FACT THAT THE GOVERNMENTS OF THE U.S. AND OTHER DEVELOPED COUNTRIES DO PLAY A SIGNIFICANT ROLE IN ECONOMIC AND SOCIAL AFFAIRS. AYAU HAS ARGUED THAT THE SUCCESS OF THE AMERICAN SYSTEM IS MORE THE RESULT OF AN HISTORICAL ACCIDENT "THAN TO A WIDESPREAD UNDERSTANDING OF THE FACTORS INVOLVED IN SOCIAL ORGANIZATION." HE ADDED, "IF IT DEPENDED ON THE OPINIONS PREVAILING TODAY IN THE U.S., I DON'T THINK THE PRESENT SYSTEM WOULD EVER HAVE EMERGED. I BELIEVE, FOR INSTANCE, THAT IF IT WERE NOT FORBIDDEN BY THE CONSTITUTION, BY THIS TIME THE U.S. WOULD HAVE EXPORT DUTIES AS WELL AS IMPORT DUTIES BETWEEN THE INDIVIDUAL STATES." WE HAVE HEARD MORE THAN ONCE FROM AYAU'S FOLLOWERS THAT JUST BECAUSE THE U.S. AND EVERY OTHER DEVELOPED NATION HAS A GRADUATED INCOME TAX SYSTEM, THAT IS NO REASON FOR GUATEMALA TO ADOPT ONE.

15. THESE EXTREME VIEWS WOULD HAVE LITTLE PRACTICAL EFFECT IF THEY ONLY REFLECTED THE OPINIONS OF A FEW INDIVIDUALS. BUT IRONICALLY, AS THE THREAT FROM THE LEFT HAS RECEDED, THE LIBERTARIAN VIEW HAS GAINED STRENGTH AND HAS BECOME UNQUESTIONED DOGMA. MUCH OF THIS INFLUENCE IS EXERTED THROUGH THE GROWING NUMBER OF GRADUATES FROM MARROQUIN UNIVERSITY. A VERY LARGE PERCENTAGE OF GUATEMALA'S BUSINESS AND ECONOMIC ELITE HAS EITHER ATTENDED MARROQUIN, TAUGHT THERE, OR SUPPORTED ITS PROGRAMS. EVEN THOSE WITH NO DIRECT CONNECTION TO THE UNIVERSITY HAVE FELT THE PRESSURE TO CONFORM. WE KNOW OF NO BUSINESS LEADERS WHO PUBLICLY DISSENT FROM THESE VIEWS. A SIMILAR SCENARIO WOULD BE IF IN THE U.S. EVERY SINGLE BUSINESS LEADER BELONGED TO THE SAME POLITICAL PARTY. THE MARROQUIN INFLUENCE IS ALSO FELT THROUGH THE DAILY NEWSPAPER "SIGLO XXI," WHICH SERVES AS THE MOUTHPIECE OF THE BUSINESS ELITE. IT ALMOST CERTAINLY CONTAINS MORE REFERENCES TO HAYEK AND VON MISES THAN ANY NEWSPAPER IN THE WORLD. (IRONICALLY,

AYAU HIMSELF STILL HAS A WEEKLY COLUMN IN RIVAL DAILY
"PRENSA LIBRE.")

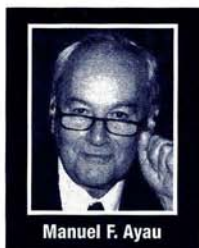
16. BECAUSE THE BUSINESS ELITE EXERCISES SUBSTANTIAL INFLUENCE OVER LEGISLATION, OFTEN THROUGH THE BUSINESS UMBRELLA ORGANIZATION CACIF'S SEMI-OFFICIAL ROLE, THERE IS ALSO A DIRECT CONNECTION BETWEEN IDEOLOGY AND ECONOMIC AND SOCIAL POLICY IN GUATEMALA. CORRUPTION AND INCOMPETENCE PRESENT ONE BARRIER TO CONFIDENCE IN THE ROLE OF GOVERNMENT. BUT ONE FINDS A KNEE-JERK OPPOSITION WITHIN MARROQUIN AND THE BUSINESS COMMUNITY TO VIRTUALLY ALL GOVERNMENT PROGRAMS, OPPOSITION BASED, IN PART, ON A RIGID IDEOLOGY DERIVED FROM AYAU.

17. A RECENT "SIGLO XXI" EDITORIAL CRITICIZING THE EMBASSY'S SUPPORT FOR AN EXPANDED LABOR CODE CONFORMING TO ILO STANDARDS, IS TYPICAL OF THE REDUCTIVE ARGUMENTS USED AGAINST GOVERNMENT PROGRAMS. THE EDITORS QUOTE AYN RAND AS IF HER WORDS REPRESENTED REVEALED TRUTH AND WERE DIRECTLY APPLICABLE TO THE LABOR CODE LEGISLATION: "INTELLECTUAL FREEDOM CANNOT EXIST WITHOUT POLITICAL FREEDOM AND POLITICAL FREEDOM CANNOT EXIST WITHOUT ECONOMIC FREEDOM; A FREE MIND AND A FREE MARKET ARE COROLLARIES." IT IS INTERESTING TO NOTE THAT AS LONG AGO AS 1971, AYAU HAD WRITTEN OF HIS OWN EXPERIENCE AS A GUATEMALAN DELEGATE TO THE ILO IN THE 1960S, THAT THE ORGANIZATION HAD "GIVEN BIRTH TO AND PROLIFERATED A MASS OF LEGISLATION WHICH, DISGUISED AS PROTECTION OF LABOR, IS AT BOTTOM A GUARANTEE OF POVERTY FOR THE WORKER AND UNDERDEVELOPMENT FOR THE COUNTRY."

18. THE MINISTRY OF EDUCATION'S RECENT PLAN TO REQUIRE HIGH SCHOOL SENIORS TO TEACH ADULTS TO READ AND WRITE ELICITED A SIMILAR RESPONSE. THE OUTPOURING OF OPPOSITION TO THE PLAN, ANNOUNCED IN JANUARY OF THIS YEAR, WAS INTENSE, WITH PERHAPS TWENTY OP-ED COLUMNS AND EXPRESSIONS OF SCORN FROM THE ELITE. IT IS TRUE THAT THE PLAN WAS POORLY ORGANIZED AND IMPROPERLY VETTED BEFORE BEING ANNOUNCED, BUT THE REACTION QUESTIONED NOT ONLY THE FORM OF THE PLAN BUT THE VERY IDEA OF A GOVERNMENT PLAN TO ATTACK ILLITERACY.

19. LUIS FIGUEROA, ONE OF GUATEMALA'S MORE INTELLIGENT COMMENTATORS AND A FORMER MARROQUIN PUPIL, WROTE IN "SIGLO XXI," WHERE HE SERVED UNTIL RECENTLY AS EXECUTIVE EDITOR: "IT IS CLEAR THAT NO ONE IS OBLIGATED TO SACRIFICE HIS LIFE, HIS TIME, AND HIS WORK FOR OTHERS, THAT SERVITUDE IS PROHIBITED BY THE CONSTITUTION." HE WENT ON TO COMPARE THE PLAN TO FORCED LABOR IN CUBA AND IN NICARAGUA UNDER THE SANDINISTAS, AND HE BELIEVED THE FOLLOWING OBSERVATION FROM ARGENTINE STATESMAN JUAN BAUTISTA ALBERDI TO BE PERTINENT: "THE OMNIPOTENCE OF THE STATE OR THE UNDIVIDED AND UNLIMITED POWER OF THE COUNTRY TOWARD ITS CITIZENS NECESSARILY LEADS TO THE OMNIPOTENCE OF THE GOVERNMENT. -- THAT IS, DESPOTISM PURE AND SIMPLE." HE CONCLUDED WITH AN APOCALYPTIC VISION OF THE FUTURE SHOULD THE LITERACY PLAN BE ACCEPTED: "IF YOUNG PEOPLE ALLOW THE MINISTRY OF EDUCATION TO USE THEM ON THIS OCCASION, WHAT WILL THEY BE ASKED TO GIVE UP THE NEXT TIME?"

Manuel Ayau Responds



Manuel F. Ayau

Entrepreneur and
president emeritus of
Universidad Francisco
Marroquin in Guatemala

In More Than One Sense, The Embassy Document is a Testimonial

The first paragraph sets the tone of the U.S. Embassy's document. Universidad Francisco Marroquin, which I helped to found, teaches "a peculiar form of free market ideology." (p. 6:#1) And because it trains a large percentage of Guatemala's business elite, and because many of Guatemala's most outspoken social critics are associated with it, the University is undermining "the country's struggle to establish credible democratic institutions under the rule of law." (p. 6:#1)

Training those who will become influential in policy-making was the University's founding purpose and I suppose I should be grateful for the Embassy's recognition that it has done well in that regard.

I am pleased that so many of Guatemala's social critics are associated with the University. No one of conscience can consider the country's underdevelopment and pervasive poverty and remain silent. No one of conscience can examine the miserable quality of its educational system or recognize the mistrust of government that makes more intractable the self-separation of the country's large Indian population—and not cry out for change.

What most disturbs me is that the U.S. ambassador chose not to present her Embassy's views on the institutional framework essential to creating prosperity, which has been my preoccupation for many years, or engage openly in any discussion of issues with me or with members of the University.

I am sure the University's administrators would welcome an analysis by the Embassy to identify instances of the University's divergence from the founding principles of the United States. The University adopted those principles as its own and it has tried to remain faithful to them for the past thirty years. They served the United States well, and I am certain they would serve Guatemala well.

The cornerstone of those principles is the sacredness of the inalienable rights of the person to life, liberty and the pursuit of happiness, which the founders of the U. S. believed would best be guaranteed under a social system based on limited government and private property. In such a system, people are able to exchange their labor, goods and services freely so long as they do not infringe upon the equal rights of others.

*No one of conscience can
consider the country's
underdevelopment and
pervasive poverty and
remain silent.*

Rather than explore such ideas in the interest of Guatemala's well being, the ambassador chose to circulate the Embassy's criticisms of me and of the University privately to diplomatic personnel representing several nations.

The document strikes me as an attempt to lead the uninformed to the conclusion that the University's teaching is "peculiar" and that my public life has been devoted to preserving the *status quo* in order to protect my own interests and those of a powerful business elite—of which, it is claimed, I am a member.

Among the various errors it contains, the document identifies me as a former president of the Chamber of Industry, as well as of the Coordinating Committee of the Agricultural, Commercial, Industrial and Financial Association (CACIF). (p. 6:#3) I was never president of the Chamber of Industry. Actually, my position in opposition to tariff protection led to my resignation from the Chamber in the early 1980s. I was never even on the board of CACIF, let alone its president. Because of my long-standing defense of free trade, I became considered their number one public enemy. Word reached me that members even tore up my articles ceremoniously at one of their meetings. Thirty-five years ago I took a particular amount of guff from my own industry when, in a newspaper article, I publicly opposed legislation intended to erect a tariff barrier for its benefit.

The author of the Embassy paper repeatedly refers to "business elite:" e.g., the Centro de Estudios Económico-Sociales (CEES), which I helped to found, "is an important vehicle for expression of conservative economic views by the business elite" (p. 7:#5); Manuel Ayau "has been a revered figure among the Guatemalan elite for more than 40 years," etc. (p. 7:#4) There seems to be something terribly wrong with the "business elite." The author displays unfamiliarity with business in failing to differentiate business leaders whose success has been earned by alert and diligent effort to serve the public, from those business leaders whose success derives from governmental favors. A governing system that exchanges favors inevitably takes from the poor and gives to the privileged.

Some business leaders—happily a growing number—applaud and support the efforts of CEES to teach the principles of the free society. I wish it were true that the entire business community stands up and cheers when CEES speaks. Unfortunately, not a lot has changed since Adam Smith pointed out over two hundred years ago that there is a tendency among businessmen to be mercantilists.

The U.S. ambassador often refers to the rule of law in public appearances, according to one of our local newspapers. However, the Embassy document reflects ignorance of the difference between rule of law and rule of legislation. Seemingly, to the paper's author everything that is legal (for instance, slavery) is law. At the Universidad Francisco Marroquin School of Law, the curriculum places strong emphasis on the rule of law.

I, too, refer often to the rule of law because I am convinced that democracy and free markets are impossible to sustain without it. Legislation granting discretionary authority to the government promotes corruption, and with a weak or non-functioning system of justice, the citizen is held hostage to corrupt officials.

Is it really wrong to insist that young people learn something about the principles that human experience to date shows are the best guarantor of individual freedom?

The Embassy paper takes cognizance of the fact that in Latin America there is a "generalized mistrust of government institutions bred by a long history of corruption and misuse of public funds." (p. 6:#1) But the situation in Guatemala, the paper says, is worse. "The problem is complicated by the existence of an anti-statist ideology unrelated to the historical situation of government in Latin America. This ideology can be traced back to the founder of Francisco Marroquin University, Manuel Ayau." (p. 6:#3)

The paper insinuates that there is something wrong with requiring students to pass courses in market economics and social organization based on the scholarship of Ludwig von Mises and Friedrich Hayek. Is it really wrong to insist that young people learn something about the principles that human experience to date shows are the best guarantor of individual freedom?

The document quotes—as though holding its nose—the University's statement on academic freedom, "...only those professors who choose to teach what the University requires of them become and remain members of the faculty." (p. 8:#7) The difference is that at most universities the boundaries are unspoken, restrictive rules of political "correctness." UFM is open about its boundaries.

While the Embassy's criticism and its handling of the document belie a disturbing reluctance to engage in constructive debate, on the positive side, the document provides testimony to those American friends of freedom who have supported UFM that their efforts have born fruit—and hopefully will inspire them to help even more.

Manuel F. Ayau



Lawrence E. Harrison

Professor Lawrence E. Harrison, whose opinions concerning Manuel Ayau were referred to by Mary Anastasia O'Grady (see page 4), explains himself.

Letters to the Editor

On Liberty in Central America

In "A Guatemalan Free-Market Reformer Is Under Fire From the U.S." (The Americas, Aug. 3), Mary Anastasia O'Grady quoted my description of Guatemalan businessman and educator Manuel Ayau as "an archtypical, far-right Latin American oligarch." I would like to explain why I so characterized him.

First, one must appreciate some Guatemalan realities. Life expectancy there is less than 65 years, the lowest in Central America. Forty percent of Guatemalan women are illiterate, the highest in Central America. Forty percent of Guatemalans, the highest percentage in Central America, live on \$1 or less per day. Infant and child mortality are the worst in Central America. Income distribution is also among the most inequitable in the world: the bottom 10% of Guatemalans claims 0.6% of total income.

In the face of this misery and injustice, Mr. Ayau asserts that most Guatemalans "bear their poverty with patience and in peace." He also asserts that "land reform is just another form of socialism . . . [it] has never worked and it cannot work." Mr. Ayau is apparently unaware of the key role land reform played in the economic miracles of post-World War II Japan, South Korea, and Taiwan.

In a country with an extremely low tax burden, Mr. Ayau calls for reduction of income and corporate taxes and attacks the idea of tax progressivity. In the face of high rates of illiteracy, he attacks public education: "Unfortunately, the notion prevails that government education is the best way to educate the people."

I also find Mr. Ayau's repeated references to "freedom" unsettling, particu-

larly when he says, "I am one who believes that, since the principal function of government is to protect people's freedom, it follows that it is proper to use the coercive powers of government to maintain freedom." The implication is that people who dissent from the ideas of Hayek and von Mises had better watch out. Nor does Mr. Ayau promote his own credibility with his positive comments about the Latin American military, such as ". . . most of the coups d'état are well received by the people."

I agree with Mr. Ayau that free market economic policies and capitalist entrepreneurship are indispensable for accelerated economic development in Latin America; that tariff protection has been costly to Latin America; that government involvement in enterprise in Latin America has had more costs than benefits, and that privatization is desirable. I also share his view that many Latin American public universities have promoted left-wing political activism at the expense of quality higher education, at great cost to the progress of their societies. But when it comes to political pluralism and social justice, Mr. Ayau's views are well outside the democratic-capitalist consensus that embraces so much of the world today.

LAWRENCE E. HARRISON
Vineyard Haven, Mass.

First Principles For Guatemala

In his Aug. 8 letter regarding Mary Anastasia O'Grady's America column, "A Guatemalan Free-Market Reformer Is Under Fire from the U.S." (The Americas, Aug. 3), Lawrence E. Harrison justifies his labeling me "an archetypical, far-right Latin American oligarch" because I don't share his views. So much for tolerance.

His argument affords an intriguing glimpse of the mindset of many who have made a career dispensing advice to foreign countries on U.S. taxpayers' dime. Mr. Harrison writes, "I also find Mr. Ayau's repeated references to 'freedom' unsettling. . . when he says, 'I am one who believes that, since the principle function of government is to protect people's freedom, it follows that it is proper to use the coercive power of government to maintain freedom.'" From this Mr. Harrison concludes that I believe "people who dissent from the ideas of Hayek and von Mises had better watch out."

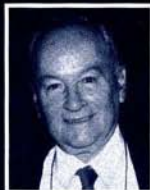
My words may unsettle Mr. Harrison, but others may recall the words of John Stuart Mill in "On Liberty": "The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others." Does Mr. Harrison believe that Mill was a far-right oligarch, too?

Mr. Harrison also thinks my credibility wanes for having said, ". . . most of the [Latin American] coups d'état are well received by the people." On the contrary, denying the facts of history would destroy my credibility. The coups d'état I have witnessed in my long life have been carried out when unbearable circumstances provoked them, and were received with jubilation by all but those who were overthrown. That doesn't mean that the new rascals did any better, which is another story.

On the other hand, perhaps it would be more in keeping with the spirit of civil discourse to simply confess. I guess I am just an incorrigible, politically incorrect right-wing Guatemalan oligarch. Just make that a far-right oligarch on the model of your founding fathers, who expressly forbade income taxation and thought that the only purpose of government was to protect life, liberty and the pursuit of happiness.

Manuel F. Ayau

Guatemala City, Guatemala



Manuel F. Ayau

Manuel F. Ayau's comments on Professor Harrison's letter were published by *The Wall Street Journal*.



Karol Boudreaux

The article by Ms. O'Grady attracted the attention of **Professor Karol Boudreaux**, director of the Juris Master program at George Mason University.

Letters to the Editor

Last month I made my third trip to Guatemala City and Universidad Francisco Marroquin. While there, I met a number of UFM students and faculty members who dress in black and meet each Friday in the center of the city to silently protest the current government. This act of open and civil protest stands in stark contrast to Ambassador Prudence Bushnell's secretive, underhanded attack on UFM and its founder, Manuel Ayau.

Over the past four years I have had the honor of working with Mr. Ayau and many of his colleagues at UFM. I have been struck by the dedication of Mr. Ayau to the challenge of promoting freedom and individual liberty for all Guatemalans—the same principles that motivated the founders of our own country.

Ambassador Bushnell vilifies such commitment and claims that the educators at UFM impede efforts of the Guatemalan government to create "democratic institutions under a rule of law" through their "antipathy toward government." As libertarians, an impartial, effectively enforced rule of law is exactly what the people of UFM call for. Yet when government officials embrace the kind of strong-arm tactics Ambassador Bushnell utilizes, it is unsurprising some people develop such an antipathy.

For his life-long dedication to the promotion of freedom and liberty, Mr. Ayau deserves our support and our accolades, not government-sponsored scorn.

KAROL C. BOUDREAUX
Director, Juris Master Program
George Mason University School of Law
Arlington, Va.

THE WALL STREET JOURNAL TUESDAY, AUGUST 7, 2001



David J. Theroux

David J. Theroux, founder and president of The Independent Institute, an influential West Coast think tank, was also outraged by the behavior of the U.S. Ambassador to Guatemala, disclosed by Mary Anastasia O'Grady in *The Wall Street Journal* on August 3, 2001.

'Muso' To Our Ears

Congratulations on Mary O'Grady's superb editorial page commentary defending Dr. Manuel "Muso" Ayau from the antics of the U.S. Embassy and its "Ugly American" functionaries ("A Guatemalan Free-Market Reformer Is Under Fire From the U.S.," Aug. 3).

If anyone is the opposite of a "Latin oligarch," it is Mr. Ayau, who has been an utterly gracious, noble, and courageous fighter for the freedom, education, and welfare of Guatemalans for decades. In fact, he may be the single most important leader for free markets and human progress in Central and South America since well before World War II.

As you note, the Francisco Marroquin University is a truly remarkable and enormous achievement by Mr. Ayau. To see U.S. diplomatic operatives working to discredit it and him is an utter outrage.

We know that empowering the people through privatization, free trade and free-market economic development are essential to liberate them, and the poor in particular, from the oligarchy of government patronage the U.S. has long supported. And we know that U.S. government foreign aid and other interventions are anathema to economic and social welfare. But it is even more telling to see U.S. Embassy flacks pursuing their covert schemes to protect their cherished system of government privileges and central planning from a man whose only weapon has been ideas. After all, whatever the interests of the public, the jobs of U.S. bureaucrats might be at stake if Mr. Ayau's arguments were acted upon.

DAVID J. THEROUX
Founder and President
The Independent Institute
Oakland, Calif.

Letter to the Editor

Guatemala, August 16, 2001

Mr. Steve Johnson
Editor, The Guatemala Post

Dear Mr. Johnson,

In *The Guatemala Post* editorial *Shame on You Wall Street Journal* (week of August 10, 2001), the writer accuses one of the most prestigious newspapers in the world of basing an editorial on "hearsay."

Before accusing another newspaper of shoddy research, the Post might have picked up the phone and actually done some research itself.

I can vouchsafe that the Wall Street Journal was very concerned about verifying the provenance of the "document" referred to in an editorial by Mary Anastasia O'Grady entitled *A Guatemalan Free-Market Reformer Is Under Fire From the U.S.* (August 3, 2001).

As part of her research Ms. O'Grady conducted interviews with Universidad Francisco Marroquin officials. Included in the information UFM shared with the WSJ editorial staff were: a statement made by the trustee who received the document; transcription of evidence received in writing documenting that Ambassador Bushnell personally distributed the document in question to members of the diplomatic corps in Guatemala, including to the high ranking diplomat who gave it to the UFM trustee; statement received from a respected overseas journalist verifying the direct involvement by the U.S. Embassy in Guatemala in the elaboration of the document, based on his personal communication with someone interviewed for the document.

Given the existence of such concrete evidence, it is not difficult to imagine why, when questioned whether Ambassador Bushnell handed the document around, her spokesperson replied, "no comment." Had Ms. Bushnell not circulated it, she should have said so. Given the implications to the reputations of people and institutions (including Ms. Bushnell's), to decline that opportunity would have been irresponsible. Another comment by the spokesperson leaves less to the imagination, "It is not our policy to comment on diplomatic dispatches, whether they originate from the U.S. Embassy or another diplomatic mission." The unavoidable conclusion is that the U.S. Embassy is not only familiar with the document but, indeed, knows it to be a "diplomatic dispatch."

(As an aside: the Post takes exception to the estimate in the WSJ editorial of 5,000 protesters in front of the U.S. Embassy on July 31, and to the characterization of them as "angry," claiming the number to be "far fewer" and describing the protesters as "peaceful." On August 1, *Prensa Libre* reported (page 5) that "over 5,000 people . . . formed a long and wide human column united in gritos." Clearly the Post doubts the reliability of the reporting by *Prensa Libre*, whose estimate Ms. O'Grady cited. Regarding the mood of those demonstrating and burning the U.S. flag on July 30, it is doubtful they were doing so because they were "happy." Fortunately for humanity, most people are able to get angry without becoming violent.)

It is certainly good advice to any journalist to check your sources before going to print. In this case, the Post seems to have offered it to the Wall Street Journal in the spirit of "Do as I say, not as I do."

Yours,
Luis Figueroa
Director, Public Relations
Universidad Francisco Marroquin
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Luis Figueroa

When *The Guatemala Post*, a weekly English language newspaper, chastised *The Wall Street Journal* for sloppy reporting (in an editorial staunchly defending the U.S. ambassador, Prudence Bushnell), the public relations director of Universidad Francisco Marroquin responded. To its credit, the *Post* published Luis Figueroa's letter on August 31, 2001.

Letters

Editor's Note:

The editorial in *The Guatemala Post* that drew Mr. Figueroa's response (p. 17) refers to the "purported document" of the U.S. Embassy, declaring it to be of "unverifiable provenance and dubious authenticity."

"Neither its tone nor syntax, nor most importantly its content, reflect the Ambassador's oft-stated positions," the author states. Moreover, the "alleged circumstances of its circulation are based on hearsay," whereas "Ambassador Bushnell's performance is verifiable, authentic and a matter of public record."

The *Post* editorial concludes: "One of Ambassador Bushnell's favorite phrases is 'the rule of law,' which is highly inconvenient for her detractors."

In his letter, published with his permission, Robert Foster Corrigan details his unsuccessful efforts to obtain a copy of the Embassy document. The document is classified, he was told by the U.S. State Department.

Mr. Corrigan writes that the Embassy's counselor said that he knew about the document but had not yet been able to obtain a copy himself.

Mr. Corrigan was Deputy Chief of Mission at the U.S. Embassy in Guatemala City (1960-1964). He later served as U.S. Ambassador to Rwanda and Deputy Assistant Secretary of Defense, International Security Affairs (in charge of Western Hemisphere) before retiring in 1975.

Robert Foster Corrigan

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August 8, 2001

Prof. Manuel Ayau
c/o Universidad Francisco Marroquin
Campo Central - Sexta Calle Final
Zona 10
Guatemala, GUATEMALA

Dear Mousso:

We have been out of touch for a long time. I hope you and your family are well.

The enclosed letter to the Editor in today's Washington Times piqued my curiosity, so I telephoned the Guatemalan desk officer of the State Department. He explained that the American embassy had sent a report on the university to the State Department. Apparently it had leaked and the information therein had become known to the press and certain people in Guatemala. I understand there was a reference to it in a recent piece in the Wall Street Journal written by Ms. O'Grady.

I requested that, since it was now in the public domain, he might send me a copy. He telephoned back saying that after checking with his superiors, because the report was classified (lowest possible classification called, I believe, limited official use) he could not send me a copy.

I then talked to one Lionel Maza, counselor of the Guatemalan embassy. He knew about it but also had not yet been able to obtain a copy. I got from him the address of the university, and am hoping you will receive this.

Perhaps you could send me a copy of the report, or tell me where I can get one.

When next you travel to Washington, let me know and we can have lunch and talk over old times, even extending to your relationship to el guanaco Lito Meza-Ayau, where my father served as American Minister (1934-37). You yourself must be pretty old by now -- but hardly tan viejo como el suscrito, quien cumplirá 87 años en el mes entrante.

Hasta luego y abrazos,

Bob

What It's Really Like at Guatemala's Francisco Marroquin University

The week of August 6, 2001 provided one of the most uplifting experiences I have had in the 14 years that I have been advancing libertarianism as a profession. My week at Francisco Marroquin University in Guatemala will always rank near the top in terms of events that have charged up my batteries big time. Since the experience ranks among the most enjoyable and stimulating I've ever had in the libertarian movement, I hope you don't mind my sharing it with you.

I had heard of FMU as far back as 1987, when I was working as program director at The Foundation for Economic Education in Irvington, New York (FEE). And I have long known its founder, Manuel Ayau, who currently sits on FEE's board of trustees. I also knew that the school had a reputation for teaching free-market principles.

But I was totally unprepared for what I encountered.

Several months ago, the college invited me to deliver a series of lectures on libertarianism to students, professors, board members, and alumni of the college. The lectures would be given each evening and, including a discussion period, would each last one to two hours. Here were the topics:

Monday. The nature and meaning of liberty. An examination of what it means to be free from a libertarian standpoint. Specific topics for discussion: the drug war, income taxation, and regulation.

Tuesday. The nature and purposes of government. Why do we need government? The legitimate powers of government. Does democracy guarantee liberty? What is the role of a constitution and an independent judiciary?

Wednesday. The nature and causes of the wealth of nations. An examination into the key role that free markets and capital accumulation play in raising standards of living. The right to accumulate unlimited wealth. Specific issues: savings, capital, free trade, and open immigration.

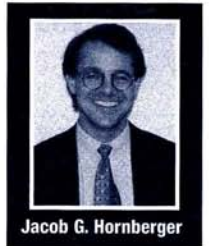
Thursday. The causes of poverty in a society. An examination of government's war on poverty. Healthcare, welfare, public housing. Equalizing wealth. Looking at Cuba.

Friday. Separating school and state. An examination into the nature of government schooling. The power to indoctrinate. A critique of vouchers. Why not a totally free market in education?

Several weeks before the lectures, I provided an extensive reading list to people who were considering attending.

Since Guatemala has been ravaged by decades of civil war and a history of authoritarian and corrupt governments, quite honestly I expected the university facilities to be, shall we say, rather modest. Was I in for a shock! On Monday morning, I was given a tour of the campus, which turned out to be one of the most attractive and modern I have ever visited. The buildings are set in a beautiful hilly area in the middle of Guatemala City and the school has maintained the natural, jungle-like habitat in which it was constructed. Everywhere I looked, I saw state-of-the-art computer systems.

My tour began at the Ludwig von Mises Library. I immediately felt right at home! The library is filled with thousands of books, including a very impressive rare-book collection that was donated to the school. (For example, one book had an inscription from the 19th-century economist Jeremy



President of The Future of Freedom Foundation in Fairfax, Virginia

Not only was the professor among the very best I have ever heard explaining the Austrian subjective-value theory, he has the rare ability to infuse enthusiasm among the students.

Bentham.) The university also was the recipient of the entire library of W. H. Hutt, the famous South African economist and author who taught at the University of Dallas before his death several years ago.

The campus turned out to be one of the most attractive and modern I have ever visited.

My lectures were being held in the Friedrich Hayek Auditorium, which holds about 180 people. (There's also a Henry Hazlitt Center.) The first night, so many people packed the auditorium that people were sitting in the aisles. What was most unmistakable was the high level of positive energy in that room.

FMU was founded 30 years ago by Manuel Ayau, a local businessman whose philosophy had been tremendously influenced by FEE. Ayau had first founded a foundation that promoted free-market ideas for many years—the Centro de Estudios Economico-Sociales (CEES). See: <http://www.cees.org.gt>

But Ayau ultimately decided that what was needed was a university that would teach the principles of the free market in a systematic way to Guatemalan young people. During the past 30 years, the foundation and the university have had some of the greatest free-market minds share their perspectives with students, professors, and people in the community: Mises, Hayek, Milton Friedman, Ben Rogge, Leonard Liggio, Peter Bauer, Hans Sennholz, James Buchanan, Leonard Read, Israel Kirzner, W.H. Hutt, Percy and Bettina Greaves, and many, many more.

You can imagine my excitement when I learned that my lectures were being presented as part of the 30th anniversary of the founding of Francisco Marroquin University. But what really raised my level of excitement was the attention and energy that came from the people in the audience and the high level of understanding that they have about the freedom philosophy and Austrian economics.

Every student in the school, including business, dental, architecture, and psicology majors, is required to take such courses as "The Philosophy of Mises" and "The Philosophy of Hayek." I audited the Mises class, which was being given to the law students. Not only was the professor among the very best I have ever heard explaining the Austrian subjective-value theory, he has the rare ability to infuse enthusiasm among the students, which was reflected by the many hands being raised during the class.

One day, I had lunch with professors from the history department, where I was treated to a lively debate over classical liberalism in 19th-century Argentina, a subject that I had written on some years ago in *Freedom Daily*. (The professor who organized the luncheon had distributed a copy of my article to the other professors as a lead in to the discussion and debate.)

Another day I had a luncheon meeting with the business and economics department, where I learned about the important role that FMU personnel played in the privatization of the telephone industry, including the initial proposal and the drafting of the legislation. Privatization has brought in four companies fiercely competing for everyone's business, including Bell South. Not only has the quality of the telephone service soared, the cost of making long-distance calls has plummeted. And it seemed to me that everyone in Guatemala City owns cell phones. In fact, there was one amusing aspect to the privatization. The country's president proposed a tax on cell phones, claiming that the rich could afford to pay such a tax. Well, everybody reacted ferociously. One woman was interviewed on television about the tax as she was coming out of the grocery store. She said, "Tell the president I'm really happy to discover that I'm rich (as she pulls out her cell phone)—I never knew it until now." As a result of the popular outcry, the tax proposal was withdrawn.

Just before my visit, *The Wall Street Journal* published an op-ed that criticized and ridiculed a secret document that originated in the office of the U.S. ambassador to Guatemala. The document, which had been secretly circulated to other embassies, had taken Ayau and FMU to task for their ardent devotion to free-market principles. The Journal article pointed out that thousands of Guatemalans had participated in a protest against the ambassador's suggestion that the Guatemalan government

needed to raise taxes. In fact, while I was there, the protests were still taking place—about 3000 people were spontaneously forming every Friday afternoon with signs (and bumper stickers on cars) that said, "No Más Impuestos!" (No More Taxes!). The FMU students show their solidarity with the protests by wearing black every Friday.

Although I am able to speak Spanish, I decided to deliver my talks in English since I can express myself much better in my native language. The school had made arrangements for simultaneous translation but only about five or so people in the audience used it.

Quite honestly, I was unprepared for the high level of understanding of libertarianism and Austrian economics among the people in the audience. (For example, one 26-year-old woman had read Mises's *Human Action* from cover to cover.) And the appreciation that everyone had for my being there to share ideas on liberty with them was openly reflected in their faces. The Guatemalan people have suffered greatly with civil war, authoritarianism, socialism and fascism, and U.S. intervention. There was absolutely no doubt that the people at Francisco Marroquin University with whom I was sharing ideas on liberty thirst for a better, freer way of life for their families and their country. And while they get depressed and pessimistic at times, they are very determined to achieve it.

In addition to my five lectures, my hosts also scheduled two radio interviews and one newspaper interview, all of which turned out to be a great deal of fun. One radio-show caller (I was speaking Spanish for this one) ranted about all the damage that U.S. intervention had caused in Latin America and obviously thought that I was going to defend it. He must have been quite surprised when I said, "I agree with what you have said about the new Roman Empire. But let's also not forget about the disastrous consequences of the drug war, especially for Latin America."

The other radio show was in English and was hosted by two irreverent and popular Anglos from New York. The topic: open immigration. As you can imagine, the telephone lines lit up. I made the very important point that Texas should consider closing its borders—on its north side, in order to keep out all those New Yorkers from immigrating south and polluting Texas's culture.

Each evening I was treated to delightful (and delicious) dinners with university officials, professors, and students, usually in one of their homes.

Ever since I began advancing libertarianism as a profession, I have had the good fortune of periodically encountering audiences that have a combination of a high understanding of libertarian principles and Austrian economics, as well as a deep and passionate yearning for a free society. The people I encountered at Francisco Marroquin University rank right near the top. And the opportunity to exchange ideas on liberty with the students, professors, and alumni at FMU shall always rank among the highlights of my professional and personal life. Moreover, I shall always treasure the honorary visiting professorship that the school bestowed upon me at the conclusion of my lectures. One of the most enjoyable weeks of my life concluded on Saturday morning just before I boarded my plane to return home. The young ticket agent said to me, "I attended your Monday night lecture but night classes unfortunately prevented me from attending the rest of the week. Many people are talking about your lectures—you have touched many students with your talks. Thank you very much for coming."

The university's main source of U.S. support is Foundation Francisco Marroquin in Stuart, Florida, a U.S. non-profit 501(c)(3) foundation devoted to encouraging and supporting scholarship and education in market economics in Latin America. See: www.ffmpegnet.org

I learned about the important role that FMU personnel played in the privatization of the telephone industry, including the initial proposal and the drafting of the legislation.

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ROLE OF THE STATE

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